

VZCZCXRO8846
PP RUEHGR
DE RUEHWN #0483/01 2221449
ZNR UUUUU ZZH
P 101449Z AUG 09
FM AMEMBASSY BRIDGETOWN
TO RUEHC/SECSTATE WASHDC PRIORITY 7669
INFO RUCNCOM/EC CARICOM COLLECTIVE

UNCLAS SECTION 01 OF 02 BRIDGETOWN 000483

SIPDIS

E.O. 12958: N/A

TAGS: [ENRG](#) [EINV](#) [PREL](#) [XL](#)

SUBJECT: DOMINICA DEBATES THE FUTURE OF ALTERNATIVE ENERGY

REF: A. A: BRIDGETOWN 465

[1](#)B. B: BRIDGETOWN 407

Summary

[1](#)1. (U) A recently concluded Strategic Speaker Initiative (reftel A) brought about a timely debate within Dominica on the best way to manage future alternative energy projects. In Dominica, the elephant in the room is geothermal energy, which is seen by many as a savior for the country despite the significant problems of cost, timelines, rural connections and export risk. Intermediary solutions that are urgently needed are downplayed and starved of resources, with the notable exception of oil imports from Venezuela. While reducing reliance on foreign fuels and carbon emissions are important long term goals for a small cash-strapped island looking to brand itself as the Caribbean's 'Nature Isle,' possibilities for local job creation and local ownership of mini-renewable projects may end up driving the discussion.

Utility - Answering critics in Dominica

[1](#)2. (U) In Dominica, critics frequently attack the U.S.-owned electricity company, DOMLEC for being environmentally unfriendly, although one-third of their electrical generation comes from hydro power, which is still underperforming due to damage by Hurricane Dean in 2007. A recent Embassy-sponsored lecture by an expert of renewable energy solutions gave DOMLEC the opportunity to confront its critics and get its message out about future energy development and the obstacles confronting the company's plans. According to Jason Timothy, the generation planning engineer at DOMLEC, the company is exploring other rivers for hydro power and testing sites for wind generation. Timothy added that DOMLEC is also exploring a plan to allow businesses to generate their own electricity through renewable sources, and still be connected to the grid -- something they have been roundly criticized (with reason) for not allowing in the past under extremely favorable terms granted to them when they took over the utility.

[1](#)3. (U) Geothermal energy has been the hot topic of late due to its low operational cost and the possibility of exporting energy to the French islands of Guadeloupe and Martinique, which could make geothermal production commercially viable even on a small island like Dominica. The serious concerns are how to finance a \$500 million dollar project with no available domestic funds. There are also heavy risks involved in building such a large plant, around 150 megawatts, that would rely heavily (in excess of 90 percent) on export sales, as the domestic market in Dominica is only 15 megawatts. There are also concerns that few jobs will be created and that, even with cheaper generation, the grid still won't reach remote residences that are minimal users of electricity. According to DOMLEC's CEO Collin Cover, the average consumer averages a paltry 95 kilowatt-hours, making connections outside of urban areas cost prohibitive.

14. (SBU) In addition to the commercial risks, DOMLEC complains that the government has thrown obstacles in its path, cutting the duration of its exclusive license by ten years, from 2025 to 2015. In an industry that relies on heavy capital outlays and a long-term horizon to recoup costs, DOMLEC maintains that this new timeline stymies growth and discourages spending on infrastructure improvements. Moreover, DOMLEC execs say the regulatory commission sets price targets that severely limit the amount that can be recouped from customers. According to Bob Blenker, the VP of Renewable Energy for Florida-based WRB, the parent company of DOMLEC, the company is still exploring opportunities but is getting mixed signals from the government on how to proceed.

Investments by Venezuela

15. (SBU) Despite the general consensus to go forward with geothermal energy, Dominica is still increasing its fuel use. With much fanfare, Hugo Chavez dedicated a \$35 million dollar oil storage and distribution facility on the 13th of June (reftel B). According to Ron Green, the leader of the opposition, a plan for an oil refinery is again being taken under consideration, despite vociferous local opposition by tourism and environmental groups that earlier pushed it off the table. This is an unusual direction for a country that is actively pursuing a geothermal plant whose generation capacity is 1,000 percent of local consumption needs, and is clearly out of line with the 'Nature Isle' marketing strategy Dominica has chosen to carve out a niche in the highly-competitive Caribbean tourism market.

BRIDGETOWN 00000483 002 OF 002

Comment

16. (U) Dominica is blessed with bountiful hydro power, and the potential for a large scale geothermal plant. Still, the problems of a mountainous geography, dispersed population and minimal consumer use frustrate distribution efforts. The allure of a foreign-financed plant is enticing, but the best approach to renewable energy may well rest in simple solutions of micro hydro units, residential mini wind turbines, and solar panels that would provide local ownership and a decentralized system. The efforts by Dominica to allow businesses and residences with small solar and wind generators to connect to the grid would be an important first step in this process. Local ownership and sustainable development are the key to promoting renewable energy projects.
HARDT